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*Plenary sitting*

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**A8-0369/2018**

16.11.2018

# REPORT

on the implementation of the EU Association Agreement with Ukraine  
(2017/2283(INI))

Committee on Foreign Affairs

Rapporteur: Michael Gahler

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## EXPLANATORY STATEMENT - SUMMARY OF FACTS AND FINDINGS

Four years after the signing by the EU of three Association Agreements (AA) including a Deep and Comprehensive Free Trade Area (DCFTA) with Moldova, Georgia and Ukraine and two years after their full entry into force, the European Parliament has decided to evaluate the level of implementation of these agreements, in line with its strong commitment to its closest Eastern partners and to their deepening relations with the EU.

In preparation for this report, on top of its regular and frequent meetings with Ukrainian authorities, opposition leaders and civil society representatives, the Foreign Affairs Committee undertook a fact-finding mission to Ukraine in April 2018 and commissioned three expert studies published over the last 6 months - on electoral reform, on the level of implementation of the AA and on the institutional framework for this implementation.

The findings of the Foreign Affairs Committee provide a positive image of the implementation of the Association Agreement with Ukraine despite a number of shortcomings that Ukrainian authorities still need to address.

There have been positive developments in many areas, notably judiciary, decentralisation, energy, health, pension and education.

In this report, the Foreign Affairs Committee highlights in particular its concerns about:

- 1) A proper functioning legal framework to fight corruptions, including institutions, financial transparency and audit;
- 2) Finalisation of the decentralisation reform;
- 3) Lack of efforts in de-Oligarchisation and privatisation;

Whilst calling on the Ukrainian authorities to address these concerns in line with the AA and other bilateral commitments, the report also highlights the European Parliament's position in relations to ongoing reforms:

- 1) The calls to lift the e-declarations for NGOs activists;
- 2) full independence of the prosecutor general;
- 3) rapid establishment of the High Anti-Corruption Court and to provide it with appropriate means for its functioning;

Finally, the report addresses the institutional framework in place to implement the AA, both from the Ukrainian and the EU side, with a focus on capacity in terms of human resources and expertise, to ensure full implementation of relevant legislation and the monitoring thereof. In particular, an extended focus on administrative capacity building in the Ukrainian Parliament, the Verkhovna Rada, is proposed, as well as more efforts on monitoring and follow up on the AAs implementation on Ukrainian and the EU sides.

## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the implementation of the EU Association Agreement with Ukraine (2017/2283(INI))

*The European Parliament,*

- having regard to Article 8 and to Title V, notably Articles 21, 22, 36 and 37, of the Treaty on European Union (TEU), as well as to Part Five of the Treaty on the Functioning of the European Union (TFEU),
- having regard to the Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part, and to the related Association Agenda,
- having regard to the European Commission and European External Action Service (EEAS) joint staff working document of 14 November 2017 on the Association Implementation Report on Ukraine (SWD(2017)0376),
- having regard to the outcome of the mission of the Committee on Foreign Affairs to Ukraine, which took place from 4-6 April 2018,
- having regard to the expert studies drawn up for the Committee on Foreign Affairs, including the study entitled ‘The electoral reforms in three association countries of the Eastern Neighbourhood – Ukraine, Georgia and Moldova and their impact on political developments in these countries’, published on 26 October 2017, the study entitled ‘Institutional Architecture for the Implementation Agreements in Georgia, Moldova and Ukraine’, published in June 2018, and the comparative study entitled ‘The Development of an Institutional Framework for the Implementation of the Association Agreements in Georgia, Moldova and Ukraine’, published in July 2018,
- having regard to Rule 52 of its Rules of Procedure, as well as Article 1(1)(e) of, and Annex 3 to, the decision of the Conference of Presidents of 12 December 2002 on the procedure for granting authorisation to draw up own-initiative reports,
- having regard to the report of the Committee on Foreign Affairs and the opinion of the Committee on International Trade (A8-0369/2018),

#### ***General environment of reform – war, security threats and domestic challenges***

- A. whereas while Ukraine has been making progress on the path towards European integration, registering important achievements in the first electoral period after the Revolution of Dignity, more difficult tasks still need to be addressed, and public support for modernisation and reform is suffering on account of people’s disappointment at deteriorating social conditions, uncertainty about the future, dissatisfaction with the government’s reform policy, the continuing power of the oligarchs and the persistence of endemic corruption in state institutions; whereas the consent of the people of Ukraine for closer relations with the EU remains strong, but a high proportion of the population are nonetheless dissatisfied with the country’s overall development;

- B. whereas around five million Ukrainians are now working abroad, both as long-term migrants and as short-term and seasonal workers, with Russia and increasingly Poland the top destinations, and whereas their remittances are an important factor for economic stability;
- C. whereas, in this context, the major achievements in EU-Ukraine relations such as the entry into force of the visa-free regime on 11 June 2017 and the Association Agreement on 1 September 2017 are to be welcomed;
- D. whereas Ukraine deserves particular praise for reforms in the areas of energy, health, pensions, education, public administration, decentralisation, public procurement, defence and security, and the banking sector, and for securing macro-economic stabilisation; whereas these reforms were accompanied by drastic price increases, cuts in social benefits and a deterioration in access to social welfare systems; whereas significant challenges remain, particularly in areas such as the fight against corruption, privatisation and judicial reform; whereas the Deep and Comprehensive Free Trade Agreement (DCFTA), which is part of the EU-Ukraine Association Agreement (AA), and has been officially operational since 1 January 2016, provides a solid basis for Ukraine's economic development and modernisation; whereas for the past four years Ukraine's economy has not only stabilised but also shown some signs of improvement; whereas since the signature of the AA in 2014, Ukraine has made more pro-European reforms than during all previous years of Ukrainian independence;
- E. whereas the legacies of the past, namely legal uncertainty and a vast number of partially contradictory laws, resistance from oligarchic and other vested interests, corruption, nepotism, weak public institutions, and a lack of clear processes and coordinating institutions in implementing the AA, are hampering institutional reforms in Ukraine; whereas Ukraine's reform agenda should focus on the cross-cutting themes of decentralisation, public administration reform, deregulation and deoligarchisation;
- F. whereas the European Union firmly upholds its unwavering support for and commitment to Ukraine's independence, sovereignty and territorial integrity within its internationally recognised borders, and its support for the internationally coordinated sanctioning of governments and agents undermining the country's territorial integrity;
- G. whereas strengthening the administrative capacities of state institutions is key in implementing the AA/DCFTA and ensuring the effectiveness of reforms;
- H. whereas, while condemning the continued Russian aggression in the eastern part of Ukraine, the illegal annexation of the Autonomous Republic of Crimea and the city of Sevastopol, and Russia's occupation of some regions of the Donetsk and Luhansk oblasts, all of which breach international law and Russia's commitments and obligations as part of its membership in international organisations, and its participation in European agreements that both it and Ukraine has signed, notably the UN Charter, the Helsinki Final Act and the Budapest Memorandum and the 1997 Treaty of Friendship, Cooperation and Partnership between Ukraine and the Russian Federation, it is to be recognised that Ukraine is facing challenges of a transformational nature in an environment of warfare and destabilisation attempts;
- I. whereas in the context of the Russia-led aggression against Ukraine, EU restrictive

measures against the Russian Federation were introduced and regularly prolonged; whereas broader engagement from the EU in resolution of the conflict is desirable, such as by appointing an EU special envoy for the conflict in Eastern Ukraine and Crimea; repeats its call for an international format of negotiations on de-occupation of the Crimean peninsula, with the participation of the EU; whereas the sanctions against Russia should be rolled over and broadened, in particular to individuals and enterprises that profit from illegal situations, until the Russian Federation enables Ukraine to fully restore sovereignty and territorial integrity;

- J. whereas of very serious concern is the highly volatile security situation in the Sea of Azov, which could easily escalate to an open conflict; whereas the construction of the bridge over the Kerch Strait linking the illegally annexed Crimean peninsula with mainland Russia, which has been undertaken without Ukraine's consent and in clear violation of its sovereignty and territorial integrity, is to be condemned; whereas the excessive actions of the Russian Federation in the Sea of Azov, insofar as they breach international maritime law and Russia's own international commitments, are deplorable; whereas the excessive stopping and inspection of commercial vessels, including both Ukrainian ships and those with flags of third-party states, including ships under the flags of various EU Member States, is to be condemned;
- K. whereas communication efforts on the evolving and dynamic nature of the AA and the nature, content and benefits of related reforms for citizens must be improved and intensified in order to secure the public's acceptance of and trust in the steps required for Ukraine's European path;

#### *Institutional framework in place to implement reforms*

1. Highlights five key areas which Ukraine needs to focus on in order to strengthen the implementation process of the AA: coordination, ownership, prioritisation, monitoring and communication; welcomes, in this context, the recently adopted government communication strategy and the EU Delegation to Ukraine's communication campaign entitled 'Moving Forward Together'; recalls the proposal for an Eastern Partnership Plus (EaP+) policy, as advocated by Parliament, in order to unlock additional perspectives;
2. Stresses its conviction that meaningful progress with the implementation of the AA and the reforms will only be possible if the deoligarchisation process is pursued and does away once and for all with the entrenched system in which economic, political and media power is concentrated in the hands of a few individuals feeding off one another, a problem which is continuing to exert a strong influence over and increasingly hampering the progress of reforms; is critical of the fact that deoligarchisation has so far been used mainly as a tool for streamlining the market and restoring the balance between the different groups of oligarchs, which was fundamentally disturbed in 2014; expresses its concern about persistent conflicts of interest on the part of regulatory and supervisory authorities, which have grown into unconcealed battles between authorities;
3. Points to the urgent need for greater political oversight, synergy and coordination of the European integration process at the highest political level and for a greater focus on reforms that bring tangible benefits to citizens;

4. Welcomes the legislative roadmap designed to address the ambitious scope of the AA and emphasises that both quality legislation and continuous will and capacity for proper implementation remain essential for making a real difference to the citizens;
5. Highlights that progress in implementation is contingent on the political leadership's commitment to reform, a commitment to and prioritisation of European integration by the political elites, and the capacities of ministries, executive agencies and independent regulators;
6. Notes with concern that the government has hitherto not made adequate efforts to disarm the units of Right Sector and other right-wing extremist groups, which remain armed as before; urges the government to put an end to the climate of impunity for violent attacks by radical right-wing forces on minorities and dissenters and for the intimidation of judges or influencing of elections, and to consistently prosecute offenders who commit such criminal acts; expects the judiciary and public prosecutors to act clearly and autonomously;
7. Stresses the need to improve the internal decision-making of the Verkhovna Rada with a view to streamlining and prioritising the adoption of draft laws related to the implementation of the AA; believes, in this regard, that the role of the Committee for European Integration should be enhanced and that the committee should be able to block legislation which contravenes the commitments made under the AA; stresses that these reforms should be done before the end of the current legislature;
8. Is concerned at the lack of tools and resources available at the government's Bureau for European Integration and the Government Office for European and Euro-Atlantic Integration, including the formal status, personnel and budget required to handle a mandate of its size and complexity; highlights the lack of criteria for evaluating the degree of compliance between domestic legal acts and EU law;
9. Welcomes Ukraine's efforts to set up the institutional and monitoring system for the implementation of the AA, including the Government Action Plan;
10. Points out that the 'National Manifesto' recently adopted by the Svoboda Party, the Right Sector and numerous other right-wing groups expresses clear opposition to the association of Ukraine with the EU and calls for a 'new geopolitical approach to East and West'; underlines the fact that the government's unresolved position on these developments is in danger of burdening relations with relevant EU neighbours and the EU as a whole and undermining the political scope for overcoming the political divide in the country and resolving the conflict in Donbas;
11. Emphasises the urgent need for further technical, expert and financial assistance, focused on capacity-building of the Verkhovna Rada and key ministries; welcomes the European Parliament's cooperation with the Verkhovna Rada on capacity-building and the Jean Monnet Dialogue process;
12. Points to persistent 'silo mentalities' within certain ministries, which are preventing a coherent position on European integration matters; calls, in this respect, for greater cooperation within the government and in the Verkhovna Rada on EU-related issues;

13. Is concerned that the interaction between the cabinet and the parliament has not been regulated by a specific mechanism in relation to the implementation of the AA/DCFTA;
14. Welcomes the adoption of a new action plan for the implementation of the AA/DCFTA and efforts to consolidate positions and cooperation between the cabinet and the parliament on the basis of the roadmap for implementing the AA; emphasises that the effectiveness of reform implementation is directly linked to the preliminary stages of policymaking and legislation; stresses that the process of scheduled legislative and regulatory approximation in Ukraine needs to be sped up and improved, with a focus on quality of legislation; notes that the policy-making cycle is lacking the essential instrument of public consultation and research-informed decision-making and quality checks of legislation; stresses that the electoral campaign should not be detrimental to the ongoing reform process;
15. Draws attention to the recommendations outlined in the European Parliament Mission's report on Internal Reform and Capacity-Building for the approximation of Ukrainian legislation with the EU *acquis*, most of which are yet to be enacted;
16. Encourages Ukraine to focus on three main priorities in its reform agenda: i) establishing an efficient legal framework to fight corruption, including institutions, financial transparency and auditing; ii) decentralisation reform; iii) deoligarchisation and privatisation;
17. Underlines the fact that the AA is not the ultimate goal of EU-Ukraine relations and welcomes Ukraine's European aspirations; supports the development of new forms of enhanced cooperation with the EU, such as Ukraine's gradual approximation with the Customs Union, Energy Union and Digital Single Market;
18. Points out that Ukraine has a European perspective pursuant to Article 49 TEU, and may apply to become a member of the European Union provided that it adheres to the Copenhagen criteria and the principles of democracy, respects fundamental freedoms and human and minority rights, and upholds the rule of law;

### ***Political dialogue***

19. Welcomes and supports the very intense dialogue carried out between the EU and Ukraine at many different levels, not least between the European Parliament and the Verkhovna Rada through, inter alia, the EU-Ukraine Parliamentary Association Committee, including on many controversial issues;
20. Welcomes the first results of the Jean Monnet Dialogue between the European Parliament and the Verkhovna Rada in the establishment of a Working Group on Reforms, the implementation of institutional capacity-building and the adoption of the first institutional reform-oriented legislation;
21. Welcomes the establishment of the Interparliamentary Assembly of Georgia, Moldova and Ukraine, and its first meeting held on 8 and 9 June 2018 in Kyiv; encourages this assembly to scrutinise the implementation of the association agreements;
22. Welcomes the effective and secure implementation of the visa-free regime with Ukraine

and the benefits of this for Ukraine-EU people-to-people contacts;

23. Underlines the importance of making further progress and deepening a culture of parliamentary dialogue as a crucial step in making the Verkhovna Rada a more effective, transparent and efficient legislator;

### *The rule of law and good governance*

24. Emphasises that the fight against corruption should remain a priority issue and be pursued in a consistent and credible manner, in order to not only implement the AA, but also bring fresh investment and vigour to the Ukrainian economy, as a prerequisite for the generation of jobs and household income;
25. Welcomes all successful measures and steps to shut down the space for corruption and illicit enrichment, for example in the field of public procurement and gas trade;
26. Welcomes the ongoing comprehensive judicial reform, but regrets the extent to which the existing judicial system in Ukraine still remains ineffective, corrupt and politically dependent; underlines the importance of carrying out the vetting process for judges in line with the highest international standards, and of establishing a transparent and highly reliable selection process which will enhance the integrity and professionalism of judges and prosecutors and increase citizens' trust in the judicial system; calls for the independent High Anti-Corruption Court to be established promptly and in a transparent and trustworthy manner; welcomes the establishment of the new Supreme Court;
27. Welcomes the work already delivered by the National Anti-Corruption Bureau (NABU), but points to the problematic interference from the prosecutor general and attempts to undermine the anti-corruption legal framework; stresses the critical need to safeguard NABU's independence; underlines the importance of the independence of the special anti-corruption prosecutor and of providing his/her office with the necessary means and sufficient resources with which to operate; calls for an effective investigation into the allegations against the chief anti-corruption prosecutor regarding the disruption of NABU investigations; calls on the Ukrainian authorities to step up their efforts to effectively investigate, prosecute and combat corruption at all levels, and to provide a solid track record in this regard; calls for a comprehensive reform of the public prosecution in order to strengthen the capacity, efficiency, impartiality, objectivity and independence from superiors of the prosecutors;
28. Recalls that the government has committed to further amending the constitution in line with the recommendations of the Venice Commission, including respecting existing minority rights; urges the speedy adoption of the new electoral code, which should secure equal possibilities for representation and running for a mandate of candidates of all nationalities living in Ukraine, and of the law on party financing; welcomes the renewal of Ukraine's Central Electoral Commission, which is vital for the credibility of Ukraine's electoral process and the crucial elections to be held in 2019; calls on the government to put in place arrangements in the run-up to the elections in order to prevent a distortion of political competition and manipulation through the concentration in the hands of a few individuals of political, economic and media power;
29. Reiterates, as a matter of great priority, its call to lift e-declaration requirements for

NGO activists and to ensure effective and transparent scrutiny of declarations by political officials and civil servants; strongly condemns the growing number of physical attacks against civil rights activists and journalists;

30. Deplores the lack of effective investigations into cases of brutal attacks against human rights activists and journalists, as evidenced by the assassination of anti-corruption activist Kateryna Handziuk, who died on 4 November 2018 after an acid attack; calls on the authorities to bring the instigators and perpetrators of such attacks to justice and to end impunity for these crimes;
31. Calls for greater attention to be devoted to areas affecting civil society space for the purposes of drafting and implementing legislation, so as to ensure that it does not place disproportionate burdens or discriminatory impact on civil society organisations and does not diminish the space for civil society; underlines the need for public funding to be made available to CSOs working on human rights, democracy, and the rule of law, including watchdog and advocacy organisations, small grassroots organisations and those working with minority or marginalised groups; considers that CSOs should be free to receive funding from other donors, such as private donors, international organisations, bodies or agencies;
32. Calls for determined efforts to continue decentralisation reform and for the amalgamation of territorial communities to be expedited in view of the upcoming general and local elections;
33. Takes the view that new municipalities should be able to enjoy financial stability and a well-grounded legal status, and that larger cities should also be able to take part in the amalgamation process; considers it important that Ukraine's anti-corruption policy covers the regions and local institutions; regrets the abolition of the previous open and competitive selection process for hiring the heads of the administrations of rayons and oblasts and their deputies as civil servants, and the power invested in the President to appoint and dismiss them, as it risks seriously undermining the achievements already brought about through political decentralisation and the decentralisation reform in general;
34. Observes that the Ukrainian Government has committed itself in Chapter 13 of the AA to effective application of the ILO's core labour standards and approximation with the relevant EU legislation; calls for these commitments to be honoured and underlines the fact that it is not compatible with implementation of ILO Convention 87 (Article 3(2)) for employers to be required to report strikes or other collective action to the state security service or for trade union leaders and activists to be placed under the supervision of the state security service; calls for the legal basis to be improved so that workers can effectively compel their employers by judicial means to respect their right to wages for work done;
35. Recommends that work on the law on labour inspectorates, which was halted in 2017, be resumed with a view to substantially raising occupational safety and health standards, abolishing the requirement for labour inspectorates to seek approval from entrepreneurs, and providing them with sufficient resources and strong enforcement powers; stresses the need for the active involvement of the social partners in this;

### *Respect for human rights and fundamental freedoms*

36. Remains deeply concerned at the growing number of illegally detained Ukrainian citizens from the temporarily occupied territories who have been arrested, sentenced and imprisoned by the Russian authorities, and demands that the Russian Federation immediately and unconditionally release the 2018 Sakharov Prize Laureate Oleg Sentsov and all other illegally detained Ukrainian citizens, including people from religious and ethnic minorities, civil society actors and human rights defenders; calls on the Ukrainian authorities and the international community to use all available means to release them;
37. Recalls that the human rights situation on the Crimean peninsula has significantly deteriorated, that the violation of freedom of speech, media abuse and the forced imposition of Russian citizenship have become systematic, and that fundamental human rights and freedoms are not guaranteed in Crimea;
38. Calls for more concerted efforts to implement Ukraine's Human Rights Strategy, including policies to improve the situation of the Roma minority and other minority groups;
39. Regrets the fact that the investigation into the deaths that occurred during the Maidan and Odessa demonstrations and into the assassination of journalists is proving slow and has yielded no tangible results;
40. Welcomes the adoption of the law on the legal status of missing persons;
41. Expresses its concern about the growing number of criminal cases being brought against journalists who have revealed cases of corruption in the State apparatus or have criticised the government's policy of reform or policy towards Eastern Ukraine; reminds the government of its commitment to fully upholding internationally recognised human rights, such as the rights to freedom of expression and public dissemination of views;
42. Calls for the ratification of the Rome Statute of the International Criminal Court and the completion of all the requisite implementation measures;
43. Calls for the ratification of the Istanbul Convention on violence against women; takes heed, in this regard, of the adoption of the Law on Preventing and Combating Domestic Violence; welcomes the newly created position of Government Commissioner for Gender Policy;
44. While clearly underlining that the primary responsibility is with the Russian Federation and the separatists it backs, calls on the Ukrainian authorities to bring to bear additional efforts to alleviate the suffering of the people affected by the conflict, including support for internally displaced persons (IDPs) and war veterans, and through easy access to pensions and social benefits and services for those living in the territories currently outside the government's control;
45. Underlines the need for an independent media and media pluralism in order to ensure the security of media workers and journalists; calls for there to be no limit on the opportunities for minority language media sources in order to ensure that citizens of all

ethnicities can enjoy equal access to information;

46. Calls for the Strategy for the Protection and Integration in Ukrainian Society of the Roma National Minority to be revised to include the monitoring of safety as a key priority and for it to be properly implemented at all levels; calls for the establishment of state programmes aimed at the prevention of hate crimes and other forms of discrimination as part of the implementation of the National Human Rights Strategy; condemns the deep-rooted stigmatisation and social exclusion of Roma arising from anti-Gypsyism; is deeply concerned by the recent cases of violence against Roma and the LGBTI community and calls for immediate and effective investigations by the authorities and vocal and public condemnation of these acts and their perpetrators by the government;
47. Takes notes of Ukraine's intention to amend the law on education in line with the recommendations of the Venice Commission and calls for this to be swiftly translated into concrete action; calls for the law to be fully implemented on the basis of a substantive dialogue with the representatives of persons belonging to national minorities, including legislation which extends the transition period until 2023 and regulates exemption for private schools;
48. Expresses concern at the recent ruling by a Ukrainian court that provides access to the mobile phone data of an investigative reporter from Radio Free Europe/Radio Liberty (RFE/RL) and emphasises the fundamental importance of media freedom and protecting journalists' sources, especially in the fight against corruption;
49. Calls for consistent and prompt efforts to develop public-service media that are politically and economically independent and committed to the free formation of opinions without state control as a counterbalance to the dominance of private oligarchic monopolies;
50. Strongly condemns the recent abduction and extradition of Turkish citizens on account of their alleged links with the Gülen movement, in violation of the principle of the rule of law and basic human rights; urges the Ukrainian authorities to ensure that any requests for extradition from third countries are processed transparently and with due regard for judicial procedures carried out in accordance with European principles and standards, and that all actions taken by local authorities must fully abide by the rule of law, human rights and fundamental freedoms; stresses that arbitrary procedures involving arrests, detention or extradition are in violation of these principles; calls on the Ukrainian authorities to protect all asylum seekers and to examine their requests in compliance with international conventions; urges the EU to support and help the Eastern Partnership countries withstand the pressure exerted by Turkey;
51. Expresses concern at the diminished space for civil society in Crimea, not least the closure of media outlets, a move that has disproportionately affected the Crimean Tatar community, including their right to information and their right to maintain their culture and identity;
52. Emphasises that freedom of expression and the press in Ukraine must be guaranteed, and expresses concern at reports of judicial harassment and the surveillance of journalists and human rights defenders;

53. Expresses concern at the high number of children and adults infected with measles in Ukraine; welcomes the response measures that have been undertaken but emphasises that there are still many vulnerable children and adults in the country; reiterates, in this regard, the need for Europe-wide efforts to increase the number of vaccinated children and adults;

### *Trade and economic cooperation*

54. Welcomes Ukraine's economic stabilisation and the progress achieved in implementing the DCFTA; encourages the Commission to support Ukraine in identifying areas that could further foster economic diversification and in prioritising them in the process of implementing the DCFTA;
55. Welcomes the increase in trade volume between the EU and Ukraine and the diversification of Ukrainian exports to the EU; encourages the Commission to support Ukraine in identifying those areas that could further foster economic diversification and in prioritising them in the process of implementing the DCFTA; points out that exports to Russia over the same period have decreased;
56. Emphasises the importance of ensuring that the DCFTA is properly implemented and that its provisions are complied with; calls on the Commission to contact the party in question without delay in the event of failure to comply with a provision, and to use the instruments it has at its disposal to overcome any problems;
57. Calls on Ukraine to appoint, as a matter of urgency, its domestic advisory group in order to ensure that implementation of the agreement is properly monitored by civil society organisations;
58. Acknowledges Ukraine's economic growth and introduction of reforms notes, however, the growing concerns of large parts of the population with regard to the rise of consumer and utility prices and encourages the prioritisation of the reform agenda in areas that are more closely related to the country's production structure and export opportunities, with a view to generating economic growth and creating employment and income; expresses its deep concern about the ongoing redistribution of wealth in the hands of oligarchical structures or families and the growing poverty of large parts of the population; calls, therefore, for greater attention to be devoted to the country's social situation;
59. Believes that consolidating Ukraine's economy and addressing pressing social challenges, such as unemployment, underemployment, and the grey economy will require a significant increase in investment; calls on the Ukrainian authorities to undertake the necessary reforms to attract new investments, particularly foreign direct investment (FDI); welcomes, in this context, the recently agreed Reform Contract for Investment and calls on the Commission to step up its efforts to reduce risks for the private sector to invest in Ukraine; invites the Member States to join forces with the Commission in this respect and to promote Ukraine as an investment destination among their business communities;
60. Calls on the Commission to submit to Parliament a detailed assessment of the AA on the basis of progress made so far, since the 2007 impact assessment has long been

overtaken by events; considers that this should cover the following points in particular:

- an in-depth presentation of Ukraine’s trade balance, set out according to sector and region;
  - the development of small and medium-sized enterprises (SMEs) and a presentation of the DCFTA loan facility for SMEs, which was set up with EUR 200 million in 2015 to help SMEs in the Eastern Neighbourhood;
  - a presentation of market share;
  - a presentation of the socio-economic situation;
  - a presentation of the labour market situation, the shadow economy and informal employment;
  - an up-to-date analysis of Ukraine’s macro-financial situation, including tax revenues and expenditure, tax avoidance and tax evasion;
61. Recalls that Regulation (EU) 2017/1566 of the European Parliament and of the Council on the introduction of temporary autonomous trade measures for Ukraine supplementing the trade concessions available under the Association Agreement includes a legal requirement that the Commission’s annual report on the implementation of the DCFTA include a detailed assessment of the autonomous trade measures, including their social impact;
62. Considers the regulatory approximation between the EU and Ukraine under the DCFTA to be a fundamental instrument bringing Ukraine closer to the EU and contributing to trade facilitation, a better business and investment climate, and sustainable economic development of Ukraine; considers that the trade liberalisation dimension should be carefully managed with a view to minimising costs while maximising benefits to Ukrainian enterprises and society and encourages the Commission to consider further autonomous trade preferences and other means; encourages Ukraine to prioritise the implementation of the reform agenda in areas that are more closely related to its production structure and opportunities to export to the EU with a view to minimising transition costs and maximising potential benefits; calls on Ukraine to appoint, as a matter of urgency, its domestic advisory group to ensure the monitoring of the implementation of the agreement by civil society organisations; is concerned at the growing poverty of the population;
63. Considers that regulatory approximation with the EU *acquis* is the key dimension of the DCFTA because actual access to the EU market and reform very much depend on appropriate implementation and enforcement of the relevant legislation; is aware of the major challenge this represents for governance, institutions and public administration in Ukraine and encourages the Commission to provide adequate technical and financial support; commends the activities of the Support Group for Ukraine and calls on the group to provide more reporting to Parliament on the kind of assistance provided, notably with regard to *acquis* transposition and implementation;
64. Considers that involving Ukrainian authorities from the time of drafting of the relevant

legislation is useful in order to make the process more inclusive and reduce transition costs for Ukraine, and calls on the Commission to make full use of ex ante information-sharing mechanisms;

65. Welcomes the adaptation of the National Transport Strategy and calls for the requisite legal and institutional reforms to be passed to implement it effectively;
66. Regrets the lack of progress in the approximation with EU animal welfare standards and calls on Ukraine to urgently adopt a strategy to fulfil that commitment;
67. Notes the high preference utilisation rate and welcomes the continuous increase in tariff lines where preferences are utilised;
68. Notes that the evaluation of DCFTA implementation is very much focused on trade flows and trade irritants; calls on the Commission to appropriately monitor and assess the implementation of the DCFTA, with special attention being paid to *acquis* transposition and implementation, as well as to the impact on Ukrainian society, and to provide public and comprehensive annual reporting, including on the technical and financial support provided by the EU;
69. Expects Ukraine to appoint arbitrators for the dispute settlement system and to establish bodies and designate representatives under the Trade and Sustainable Development chapter;
70. Welcomes the Verkhovna Rada's adoption at first reading of Bill No 5495 on the preservation of Ukrainian forests and the prevention of the illegal export of unprocessed timber on 20 March 2018; considers that any liberalisation of trade in wood should be conditional on the setting-up of a legal framework on the prevention and prohibition of illegal exports;
71. Notes Ukraine's commitment under the AA to combat and prevent illicit trade, and calls on the country to take steps to criminalise it;
72. Notes that the Eastern Partnership has until now primarily been focused on bilateral trade and investment between the EU and the other countries involved; calls for the development of a more unified approach for all countries in the Eastern Partnership and increased cooperation with the Eurasian Economic Union in terms of trade facilitation, visa freedom and technical standards;

### ***Cooperation in energy, security and defence***

73. Praises Ukraine for good cooperation in the energy sector, not least the progress it has made in energy efficiency; emphasises the key role of improved energy efficiency and renewable energy development, including as vectors of economic growth and employment; points out the need for continued reforms, in particular to complete reform of the gas and electricity markets with a view to full integration into the EU energy market, and to end existing and prevent new monopolies, which will bring long-term economic benefits to industry and consumers; encourages the Commission to ensure that all pipeline projects comply with EU regulations; calls for energy cooperation to be enhanced within the Eastern Partnership with a view to implementing the 2015 Paris

Climate Change Agreement; stresses the need for a national authority, independent of policy and private interests, to regulate the gas and electricity market, which must be committed to a socially fair balance between the interests of suppliers and end consumers when pricing and ensure justified price-building;

74. Welcomes the adoption of a large number of laws in the area of environment, especially those on strategic environmental assessment and environmental impact assessment, and draws attention to the need for implementation and essential public awareness campaigns; welcomes the progress on climate policy, with the adoption and submission to the UN Framework Convention on Climate Change (UNFCCC) of the low carbon development strategy; encourages the early adoption of the state environmental policy strategy and new waste management and climate policy legislation in line with the EU *acquis*;
75. Recalls that environmental governance is a key feature of the requirements under the AA; asks the authorities to reconsider the agreement and any future plans concerning the Dniester Hydro Power Complex, to bring them into line with international conventions and EU standards, ensuring that all parties concerned from Moldova and Ukraine are publically consulted, including civil society, and to protect the ecosystem and environment of the Dniester River;
76. Expresses its deep concern at the deterioration of the ecological situation in the East of Ukraine and Crimea as a consequence of the conflict, and in particular the problems relating to water supply, which could have devastating consequences for the whole region and lead to an irreversible disaster; urges all stakeholders to forestall such a scenario and to work with all means to ensure proper maintenance and water pumping, including in the mines;
77. Recognises Ukraine's efforts to build a genuine digital market economy, including progress with open data development, broadening access to conditional access systems for digital television and virtual network services, increasing the number of electronic communication services for citizens and public registers such as ProZorro; highlights that further work must be done to ensure that the rights and needs of Ukrainian citizens using the internet are protected and to fully implement the Digital Single Market requirements;
78. Welcomes the adoption of the law on electronic trust services and the priorities defined in the Concept for the Development of the Digital Economy and Society in Ukraine for 2018-2020, which constitute important steps on Ukraine's path of integration into the EU Digital Single Market;
79. Reiterates the crucial role of Ukraine in the European energy supply network; condemns the construction of the Nord Stream 2 pipeline, as it is a political project that poses a threat to European security and the efforts to diversify energy supply; calls for the project to be cancelled;
80. Is concerned at the schemes to illegally exploit natural resources, such as amber, coal, sand and timber that are, in many cases, protected and organised with the help of local or regional administrations and law-enforcement bodies, which are damaging and

endangering landscapes and habitats, such as forests and rivers, and prevent the ecologically and economically sustainable management of the country's resources for the benefit of its citizens;

81. Deplores the depletion of Ukrainian forests, an issue linked to corruption schemes that benefit vested interests in Ukraine and companies in the EU; calls for effective regulations to be devised, and swiftly implemented and enforced in order to prevent illegal logging and timber corruption in Ukraine and to establish sustainable forestry management so as to protect and preserve Ukraine's forests and resources;
82. Welcomes the steps undertaken to modernise Ukraine's army and Naval Forces in the Black and Azov Seas as strong guarantees of the stability and territorial integrity of Ukraine, while encouraging, nonetheless, reform of the defence industry as a matter of urgent necessity;
83. Believes and emphasises that provided that it commits to implementing the AA and to abiding by the principles of democracy, the rule of law and fundamental freedoms, Ukraine (and other associated states – Moldova and Georgia) should be granted specific support mechanisms by the EU, including within the framework of the post-2020 multiannual financial framework in line with the Eastern Partnership Plus model, as advocated by Parliament;
84. Recalls the importance of strengthening cooperation with Ukraine at different levels, including security and defence; welcomes, in this regard, Ukraine's interest in further engaging in defence projects, including the Permanent Structured Cooperation (PESCO) on security and defence;
85. Highlights the importance of proactively communicating to Ukrainian citizens information on the concrete benefits and goals of the Eastern Partnership;
86. Emphasises the importance of fighting Russia's fake news and propaganda, including its anticipated meddling in elections in Ukraine and throughout the European Union; calls for Ukraine-EU cooperation on this issue to be enhanced;
87. Encourages Ukraine and the EU to continue developing their cooperation in the areas of justice, freedom and home affairs;

### ***Institutional provisions***

88. Calls for better monitoring and follow-up of the implementation of reforms on both the Ukrainian and the EU side, on the basis of coherent and measurable indicators; calls once more on the Commission and the EEAS to submit to Parliament and the Council more frequent and detailed written reports on the implementation of the agreements;
89. Calls on the Commission to appropriately monitor and assess the implementation of the DCFTA, devoting special attention to *acquis* transposition and implementation, and to the impact on Ukrainian society, and to provide public and comprehensive annual reporting, including on the technical and financial support provided by the EU;
90. Resolves to draw up annual reports on the implementation of the Association

Agreements;

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91. Instructs its President to forward this resolution to the Council, the Commission and the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy, and to the President, Government and Parliament of Ukraine.

21.6.2018

## OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE

for the Committee on Foreign Affairs

on implementation of the EU association agreement with Ukraine  
(2017/2283(INI))

Rapporteur for opinion: Jarosław Wałęsa

### SUGGESTIONS

The Committee on International Trade calls on the Committee on Foreign Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Welcomes the increase in trade volume between the EU and Ukraine and the diversification of Ukrainian exports to the EU; encourages the Commission to support Ukraine in identifying those areas that could further foster economic diversification and in prioritising them in the process of implementing the Deep and Comprehensive Free Trade Area (DCFTA); points out that exports to Russia over the same period have decreased;
2. Calls on the Commission to submit to Parliament a detailed assessment of the association agreement on the basis of progress made so far, since the 2007 impact assessment has long been overtaken by events; considers that this should cover the following points in particular:
  - an in-depth presentation of Ukraine's trade balance, set out according to sector and region;
  - the development of small and medium-sized enterprises (SMEs) and a presentation of the DCFTA loan facility for SMEs, which was set up with EUR 200 million in 2015 to help SMEs in the Eastern Neighbourhood;
  - a presentation of market share;
  - a presentation of the socio-economic situation;
  - a presentation of the labour market situation, the shadow economy and informal

employment;

- an up-to-date analysis of Ukraine’s macro-financial situation, including tax revenues and expenditure, tax avoidance and tax evasion;
3. Recalls that Regulation (EU) 2017/1566 of the European Parliament and of the Council on the introduction of temporary autonomous trade measures for Ukraine supplementing the trade concessions available under the Association Agreement includes a legal requirement that the Commission’s annual report on the implementation of the DCFTA include a detailed assessment of the autonomous trade measures, including their social impact;
  4. Considers the regulatory approximation between the EU and Ukraine under the DCFTA to be a fundamental instrument bringing Ukraine closer to the EU and contributing to trade facilitation, a better business and investment climate, and sustainable economic development of Ukraine; considers that the trade liberalisation dimension should be carefully managed with a view to minimising costs while maximising benefits to Ukrainian enterprises and society and encourages the Commission to consider further autonomous trade preferences and other means; encourages Ukraine to prioritise the implementation of the reform agenda in areas that are more closely related to its production structure and opportunities to export to the EU with a view to minimising transition costs and maximising potential benefits; calls on Ukraine to appoint, as a matter of urgency, its domestic advisory group to ensure the monitoring of the implementation of the agreement by civil society organisations; is concerned at the growing poverty of the population;
  5. Recalls that the DCFTA is part of a reform process based on good governance and the fight against corruption and organised crime; welcomes the adoption of the law on the High Anticorruption Court; remains concerned, however, with regard to further progress in the fight against corruption; notes that a free, critical civil society plays an important part in this process of reform and calls on the Government of Ukraine to free civil-society organisations from the e-declaration obligation; calls on the Government of Ukraine to guarantee the independence of the National Anti-Corruption Bureau (NABU) and to carry out a corresponding reform of the secret services; reminds the Government of Ukraine of its undertaking in the preamble to the association agreement to construct a deeper, sustainable democracy; calls for a reform of voting rights prior to the 2019 parliamentary elections as recommended by the Parliamentary Assembly of the Council of Europe, the Venice Commission and the OSCE’s Office for Democratic Institutions and Human Rights (ODIHR); calls on Ukraine to provide reassurance that the composition of the Central Electoral Commission of Ukraine reflects a political balance representing all relevant political forces and stresses that the rule of law is a key precondition for good and effective implementation of the DCFTA;
  6. Considers that regulatory approximation with the EU acquis is the key dimension of the DCFTA because actual access to the EU market and reform very much depend on appropriate implementation and enforcement of the relevant legislation; is aware of the major challenge this represents for governance, institutions and public administration in Ukraine and encourages the Commission to provide adequate technical and financial support; commends the activities of the Support Group for Ukraine and calls on the group

to provide more reporting to Parliament on the kind of assistance provided, notably with regard to acquis transposition and implementation;

7. Considers that involving Ukrainian authorities from the time of drafting of the relevant legislation is useful in order to make the process more inclusive and reduce transition costs for Ukraine, and calls on the Commission to make full use of ex ante information-sharing mechanisms;
8. Commends the Government and Parliament Legislative Roadmap for the Implementation of the Agreement and Ukraine's accession to the WTO Government Procurement Agreement; encourages Ukraine to focus on the implementation of the reform agenda in areas such as technical, sanitary and phytosanitary standards, intellectual property and customs rules;
9. Regrets the lack of progress in the approximation with EU animal welfare standards and calls on Ukraine to urgently adopt a strategy to fulfil that commitment;
10. Notes the high preference utilisation rate and welcomes the continuous increase in tariff lines where preferences are utilised;
11. Notes that the evaluation of DCFTA implementation is very much focused on trade flows and trade irritants; calls on the Commission to appropriately monitor and assess the implementation of the DCFTA, with special attention being paid to acquis transposition and implementation, as well as to the impact on Ukrainian society, and to provide public and comprehensive annual reporting, including on the technical and financial support provided by the EU;
12. Expects Ukraine to appoint arbitrators for the dispute settlement system and to establish bodies and designate representatives under the Trade and Sustainable Development chapter;
13. Welcomes the Verkhovna Rada's adoption at first reading of Bill No 5495 on the preservation of Ukrainian forests and the prevention of the illegal export of unprocessed timber on 20 March 2018; considers that any liberalisation of trade in wood should be conditional on the setting-up of a legal framework on the prevention and prohibition of illegal exports;
14. Notes that a coordinated approach between the EU and Ukraine to sanctions related to Crimea and eastern Ukraine would contribute to increasing pressure in order to secure a peaceful resolution of Ukraine's territorial challenges; recalls the commitment to the peaceful settlement of regional conflicts in Article 9 of the association agreement;
15. Notes that the Eastern Partnership has until now primarily been focused on bilateral trade and investment between the EU and the other countries involved; calls for the development of a more unified approach for all countries in the Eastern Partnership and increased cooperation with the Eurasian Economic Union in terms of trade facilitation, visa freedom and technical standards.



## INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

<b>Date adopted</b>	21.6.2018
<b>Result of final vote</b>	+:               26 -:               5 0:               4
<b>Members present for the final vote</b>	William (The Earl of) Dartmouth, Laima Liucija Andrikienė, Tiziana Beghin, Salvatore Cicu, Santiago Fisas Aixelà, Eleonora Forenza, Nadja Hirsch, Yannick Jadot, France Jamet, Elsi Katainen, Patricia Lalonde, Danilo Oscar Lancini, Bernd Lange, David Martin, Emmanuel Maurel, Anne-Marie Mineur, Sorin Moisă, Alessia Maria Mosca, Franck Proust, Godelieve Quisthoudt-Rowohl, Inmaculada Rodríguez-Piñero Fernández, Tokia Saïfi, Adam Szejnfeld
<b>Substitutes present for the final vote</b>	Goffredo Maria Bettini, Reimer Böge, Klaus Buchner, Dita Charanzová, Danuta Maria Hübner, Sajjad Karim, Sander Loones, Lola Sánchez Caldentey
<b>Substitutes under Rule 200(2) present for the final vote</b>	Czesław Hoc, John Howarth, Dietmar Köster, Kosma Złotowski

## FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

26	+
ALDE	Dita Charanzová, Nadja Hirsch, Elsi Katainen
ECR	Czesław Hoc, Sajjad Karim, Sander Loones, Kosma Złotowski
PPE	Laima Liucija Andrikienė, Reimer Böge, Salvatore Cicu, Santiago Fisas Aixelà, Danuta Maria Hübner, Sorin Moisă, Franck Proust, Godelieve Quisthoudt-Rowohl, Tokia Saïfi, Adam Szejnfeld
S&D	Goffredo Maria Bettini, John Howarth, Dietmar Köster, Bernd Lange, David Martin, Alessia Maria Mosca, Inmaculada Rodríguez-Piñero Fernández
VERTS/ALE	Klaus Buchner, Yannick Jadot

5	-
EFDD	William (The Earl of) Dartmouth
ENF	France Jamet, Danilo Oscar Lancini
GUE/NGL	Eleonora Forenza, Anne-Marie Mineur

4	0
ALDE	Patricia Lalonde
EFDD	Tiziana Beghin
GUE/NGL	Lola Sánchez Caldentey
S&D	Emmanuel Maurel

Key to symbols:

+ : in favour

- : against

0 : abstention

## INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

<b>Date adopted</b>	12.11.2018
<b>Result of final vote</b>	+: 41 -: 9 0: 1
<b>Members present for the final vote</b>	Michèle Alliot-Marie, Petras Auštrevičius, Bas Belder, James Carver, Lorenzo Cesa, Aymeric Chauprade, Javier Couso Permuy, Arnaud Danjean, Georgios Epitideios, Knut Fleckenstein, Eugen Freund, Michael Gahler, Tunne Kelam, Wajid Khan, Eduard Kukan, Arne Lietz, Barbara Lochbihler, Sabine Lösing, Andrejs Mamikins, Ramona Nicole Mănescu, David McAllister, Francisco José Millán Mon, Clare Moody, Pier Antonio Panzeri, Ioan Mircea Pașcu, Alojz Peterle, Tonino Picula, Julia Pitera, Cristian Dan Preda, Michel Reimon, Jean-Luc Schaffhauser, Anders Sellström, Alyn Smith, Jordi Solé, Dobromir Sośnierz, Jaromír Štětina, Miguel Urbán Crespo, Ivo Vajgl
<b>Substitutes present for the final vote</b>	Andrea Bocskor, Igor Gräzin, Rebecca Harms, Marek Jurek, Juan Fernando López Aguilar, Antonio López-Istúriz White, Urmas Paet, Bodil Valero, Mirja Vehkaperä, Marie-Christine Vergiat
<b>Substitutes under Rule 200(2) present for the final vote</b>	Eleonora Evi, Liliana Rodrigues, Flavio Zanonato

## FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

<b>41</b>	<b>+</b>
ALDE	Petras Auštrevičius, Igor Gräzin, Urmas Paet, Ivo Vajgl, Mirja Vehkaperä
ECR	Bas Belder, Marek Jurek
PPE	Michèle Alliot-Marie, Andrea Bocskor, Lorenzo Cesa, Arnaud Danjean, Michael Gahler, Tunne Kelam, Eduard Kukan, Antonio López-Istúriz White, David McAllister, Ramona Nicole Mănescu, Francisco José Millán Mon, Alojz Peterle, Julia Pitera, Cristian Dan Preda, Anders Sellström, Jaromír Štětina
S&D	Knut Fleckenstein, Eugen Freund, Wajid Khan, Arne Lietz, Juan Fernando López Aguilar, Andrejs Mamikins, Clare Moody, Pier Antonio Panzeri, Ioan Mircea Pașcu, Tonino Picula, Liliana Rodrigues, Flavio Zanonato
VERTS/ALE	Rebecca Harms, Barbara Lochbihler, Michel Reimon, Alyn Smith, Jordi Solé, Bodil Valero

<b>9</b>	<b>-</b>
EFDD	Aymeric Chauprade, Eleonora Evi
ENF	Jean-Luc Schaffhauser
GUE/NGL	Javier Couso Permuy, Sabine Lösing, Miguel Urbán Crespo, Marie-Christine Vergiat
NI	James Carver, Georgios Epitideios

<b>1</b>	<b>0</b>
NI	Dobromir Sośnierz

Key to symbols:

+ : in favour

- : against

0 : abstention